

## Economic Disadvantage-Adjusted Gross Income

The standards of the Disadvantaged Business Enterprise (DBE) program require participants to meet the social disadvantaged AND economic disadvantaged status. Most DBEs know about the personal net worth (PNW) limit of \$1,320,000. The PNW excludes the equity of the primary residence and equity in the business. On Nov. 1, 2014, the program rules for economic disadvantage were expanded to include six factors to consider if an individual's economic disadvantaged is rebutted. One of those factors is the adjusted gross income (AGI) of the owner. Here is how INDOT/EOD determines an individual's adjusted gross income:

$$AGI = (S + I) - (T)$$

"S"= stands for Wages, Salaries, Compensation to Owners

"I"= stands for Business Income Received by the Owner

"T"= stands for Taxes owed by the Owner

For example, if the owner's W-2 reports \$100,000 in wages/salary and the Schedule K-1 for the owner reports \$400,000 of business income received by the owner, then the total income for the owner is \$500,000. If the personal tax return reflects that the owner owed \$5,000 in taxes, the AGI for this owner is \$495,000.

An individual is found ineligible for the DBE program if his or her AGI exceeds \$350,000. The AGI is determined for the past three years and averaged. If the three year average of the AGI is more than \$350,000, then the DBE is presumed not economically disadvantaged and therefore ineligible for the DBE program. Pursuant to 49 CFR 26.89, INDOT will pursue the certification removal process.